

Message Text

UNCLASSIFIED

PAGE 01 PARIS 11155 01 OF 04 021623Z

51

ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 PA-02 PRS-01 USIA-15 L-02 H-02 AGR-10 /120 W

----- 004019

R 021614Z MAY 75

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 9026

INFO USDEL MTN GENEVA

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL BORDEAUX

AMCONSUL LYON

AMCONSUL MARSEILLE

AMCONSUL NICE

AMCONSUL STRASBOURG

UNCLAS SECTION 01 OF 04 PARIS 11155

PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EALR, EFIN, EGEN, FR

SUBJECT: FRENCH FINANCIAL AND ECONOMIC DEVELOPMENTS

REF: PARIS 9996, APRIL 18, 1975

1. SUMMARY. GOF CONTINUES TO MODIFY DOMESTIC ECONOMIC POLICY, BUT STILL SHIES AWAY FROM STIMULATION OF CONSUMPTION FOR FEAR OF EXACERBATING INFLATION. NEW INCENTIVES TO ENCOURAGE INVESTMENT, ANNOUNCED IN GISCARD'S SPEECH APRIL 23, NOT EXPECTED TO PRODUCE TANGIBLE RESULTS BEFORE LATTER PART OF YEAR AND, ACCORDING TO INDUSTRY SPOKESMEN, MAY WELL FALL ON DEAF EARS. NEAR-TERM OUTLOOK FOR INDUSTRIAL ACTIVITY
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 PARIS 11155 01 OF 04 021623Z

CONTINUES TO DETERIORATE, ACCORDING TO MARCH SURVEY

BY BANK OF FRANCE. CONSUMER PRICE INFLATION RECEDES TO 2.7 PERCENT OVERALL FOR FIRST QUARTER 1975. UNEMPLOYMENT IN MARCH REACHES ESTIMATED 4 PERCENT OF LABOR FORCE. END SUMMARY.

2. GOF CONTINUES "SELECTIVE SUPPORT" OF ECONOMY -

PRESIDENT GISCARD D'ESTAING HAS ONCE AGAIN ATTEMPTED TO CAST FRANCE'S ECONOMIC WOES IN THE BEST POSSIBLE LIGHT, AND TO GIVE AN APPEARANCE OF RATIONALITY TO THE COURSE BEING STEERED BY THE GOF BETWEEN INFLATION AND RECESSION. IN HIS APRIL 23 "FIRESIDE CHAT" (SEE PARIS 10475 FOR DETAILS), GISCARD STRESSED PROGRESS MADE IN IMPROVING TRADE BALANCE AND CURBING PRICE INFLATION. HE ALSO ANNOUNCED FURTHER MODIFICATIONS IN DOMESTIC ECONOMIC POLICY -- FEATURING FF 15.5 BILLION PROGRAM TO STIMULATE PRODUCTIVE INVESTMENT -- WHICH ADD UP TO CONCLUSION THAT GOF WILL CONTINUE TO GIVE ONLY "SELECTIVE SUPPORT" TO LAGGING FRENCH ECONOMY, AND THAT FEARS OF EXACERBATING INFLATION (THROUGH STIMULATION OF CONSUMPTION) STILL PREVAIL IN GOF'S ECONOMIC STRATEGY.

FOLLOWING PRESIDENT'S SPEECH, FINANCE MINISTER FOURCADE SAID AT PRESS CONFERENCE THAT NEW MEASURES COULD LEAD TO FF 20 BILLION INCREASE IN INDUSTRIAL INVESTMENT EXPENDITURES OVER FF 200 BILLION ORIGINALLY FORECAST FOR 1975. GROWTH OF 4 TO 5 PERCENT IN VOLUME OF PRODUCTIVE INVESTMENT, HE SAID, WOULD ENTAIL 15 PERCENT INCREASE IN TOTAL PRODUCTION CAPACITY DURING 1974 AND 1975, PERMITTING FRANCE TO CAPITALIZE ON EXPECTED REVIVAL IN INTERNATIONAL ECONOMIC ACTIVITY DURING LATTER HALF OF YEAR. FOURCADE ADMITTED, HOWEVER, THAT INITIAL EFFECTS OF NEW MEASURES -- PARTICULARLY WITH RESPECT TO WORSENING EMPLOYMENT SITUATION -- UNLIKELY TO BE FELT BEFORE AUTUMN.

REACTION TO GOF PROGRAM PREDICTABLY LESS THAN ENTHUSIASTIC. FRENCH PATRONAT (ROUGHLY EQUIVALENT TO NAM) SAID THAT EMPHASIS ON PROVIDING INVESTMENT INCENTIVES, WHILE WELCOME, COMES AT TIME WHEN FIRMS UNCLASSIFIED

UNCLASSIFIED

PAGE 03 PARIS 11155 01 OF 04 021623Z

RELUCTANT TO TAKE THE BAIT (DUE TO ALREADY-STRAINED FINANCES AND SLUGGISH DEMAND). MAJOR LABOR UNIONS CRITICIZED GOF PLAN AS PROVIDING NOTHING TO IMPROVE PURCHASING POWER OR REDUCE UNEMPLOYMENT.

3. BANK OF FRANCE REPORTS CONTINUED SLUMP IN DEMAND -

BANK OF FRANCE SURVEY OF FRENCH ECONOMIC SITUA-

TION, CONDUCTED DURING MARCH, INDICATES LEVEL OF
INDUSTRIAL PRODUCTION DECLINED SOMEWHAT DURING THE MONTH
BUT STILL REMAINS, OVERALL, SLIGHTLY IN EXCESS OF DEMAND.
INVENTORIES OF FINISHED GOODS CONTINUED TO MOUNT AND
UNFILLED ORDERS DECLINED STILL FURTHER. OVERALL
DOMESTIC DEMAND REMAINS SLUGGISH.

WITH SEASONAL PICKUP IN INTERNAL DEMAND HAVING

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 PARIS 11155 02 OF 04 021627Z

51

ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 PA-02 PRS-01 USIA-15 L-02 H-02 AGR-10 /120 W

----- 004059

R 021614Z MAY 75

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 9027

INFO USDEL MTN GENEVA

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL BORDEAUX

AMCONSUL LYON

AMCONSUL MARSEILLE

AMCONSUL NICE

AMCONSUL STRASBOURG

UNCLAS SECTION 02 OF 04 PARIS 11155

FAILED TO MATERIALIZE, INDUSTRIALISTS RESPONDING TO
BANK SURVEY INDICATED PLANS TO CUT BACK OUTPUT STILL
FURTHER. GENERAL PESSIMISM WAS EXPRESSED OVER PROS-
PECTS FOR ANY GOF EFFORTS TO SUPPORT OR STIMULATE

ECONOMY BEFORE LAST QUARTER OF YEAR; OVER NEAR-TERM,
INDUSTRIALISTS EXPECT REACTION TO MOUNTING INVENTORIES
TO LEAD TO CONTINUING DECLINE IN PRODUCTION.

AMONG SECTORS, PRODUCERS OF INTERMEDIATE GOODS --
REPORTEDLY OPERATING AT ROUGHLY TWO-THIRDS OF CAPACITY --
CUT BACK PRODUCTION SHARPLY DURING MARCH. IN CAPITAL-
EQUIPMENT SECTOR, PRODUCTION REMAINED ROUGHLY AT SAME
LEVEL AS IN FEBRUARY, ALTHOUGH WITH CONSIDERABLE
VARIATION AMONG BRANCHES. CONSUMER-GOODS SECTOR FAILED
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 PARIS 11155 02 OF 04 021627Z

TO REGISTER SEASONAL INCREASE IN OVERALL SALES, ALTHOUGH
IN ISOLATED BRANCHES SOME GAINS WERE REPORTED.

4. PRICES UP 2.7 PERCENT IN FIRST QUARTER -

FRENCH RETAIL PRICES ROSE 0.8 PERCENT IN MARCH
FOLLOWING INCREASE OF SIMILAR MAGNITUDE IN FEBRUARY
AND OF 1.1 PERCENT IN JANUARY. INCREASE IN INSEE
(NATIONAL STATISTICS INSTITUTE) CONSUMER PRICE INDEX
FOR FIRST QUARTER 1975 THUS AMOUNTED TO 2.7 PERCENT,
COMPARED TO 4.2 PERCENT DURING FIRST QUARTER 1974. FOR
YEAR ENDING IN MARCH, PRICE INFLATION AMOUNTED TO
13.5 PERCENT, DOWN FROM 15.2 PERCENT REGISTERED FOR
CALENDAR YEAR 1974.

MARCH PRICE INCREASES ONCE AGAIN LED BY FOOD
PRICES (UP 1.1 PERCENT FROM FEBRUARY). PRICES FOR
MANUFACTURED PRODUCTS AND SERVICES BOTH ROSE 0.7 PER-
CENT, REPEATING SIMILAR PERFORMANCE DURING FEBRUARY.
DESPITE RECENT SLOWING IN PRICE INCREASES FOR MANUFAC-
TURES, THIS CATEGORY CONTINUES TO REGISTER GREATER
YEAR-OVER-YEAR PRICE RISES THAN DO FOOD OR SERVICES
CATEGORIES.

RETAIL PRICE INFLATION
(PERCENT INCREASES IN CONSUMER PRICE INDICES;
END-OF-QUARTER)

74-I 74-II 74-III 74-IV 75-I

MANUFACTURES	6.1	4.3	3.8	3.1	2.8
--------------	-----	-----	-----	-----	-----

FOOD	3.0	3.6	2.1	2.9	2.6
------	-----	-----	-----	-----	-----

SERVICES	2.8	3.7	3.2	3.1	2.8
----------	-----	-----	-----	-----	-----

OVERALL	4.2	4.0	3.2	3.0	2.7
---------	-----	-----	-----	-----	-----

WHOLESALE FOOD PRICES INCREASED 4 PERCENT IN

MARCH (11 PERCENT OVER ONE YEAR), LED BY FISH,
BEEF, AND VEGETABLES. INDUSTRIAL WHOLESALE PRICES
DECLINED BY 0.4 PERCENT.
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 PARIS 11155 02 OF 04 021627Z

5. UNEMPLOYMENT HITS 4 PERCENT IN MARCH -

THE NUMBER OF REGISTERED UNEMPLOYED (SEASONALLY
ADJUSTED) ROSE TO 765,700 AT END OF MARCH, WHILE
UNFILLED JOB OFFERS DECLINED FURTHER TO 110,700. ON
BASIS OF AVAILABLE DATA, WE CALCULATE SEASONALLY-
ADJUSTED UNEMPLOYMENT IN MARCH AT ROUGHLY 4.0 PERCENT
OF LABOR FORCE (SEE PARIS A-535 OF 1974 FOR METHODOLOGY).

LABOR MARKET INDICATORS
(SEASONALLY ADJUSTED; IN THOUSANDS, END-OF-MONTH)

OCT NOV DEC JAN FEB MAR

REGISTERED

UNEMPLOYED 558.3 629.3 660.0 698.6 727.5 765.7

UNFILLED JOB

OFFERS 154.0 132.7 144.4 153.9 121.7 110.7

EST. OVERALL

UNEMPLOYMENT

(AS PERCENT OF

LABOR FORCE 2.9 3.3 3.4 3.6 3.8 4.0

SPEAKING BEFORE NATIONAL COMMERCIAL COUNCIL

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 PARIS 11155 03 OF 04 021630Z

51

ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 PA-02 PRS-01 USIA-15 L-02 H-02 AGR-10 /120 W

----- 004083

R 021614Z MAY 75

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 9028

INFO USDEL MTN GENEVA

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL BORDEAUX

AMCONSUL LYON

AMCONSUL MARSEILLE

AMCONSUL NICE

AMCONSUL STRASBOURG

UNCLAS SECTION 03 OF 04 PARIS 11155

APRIL 18, PRIME MINISTER CHIRAC AFFIRMED THAT EMPLOY-
MENT SITUATION IS GOF'S PRIMARY CONCERN; NOTING OMINOUS
PROSPECT OF A "WAVE OF YOUNG PEOPLE" DESCENDING ON
TIGHT LABOR MARKET AT END OF SCHOOL YEAR, CHIRAC SAID
GOF CONSIDERING UNSPECIFIED MEASURES TO "COUNTER-
BALANCE" THE EXPECTED FLOOD OF JOB REQUESTS.

6. INDUSTRIAL OUTPUT UNCHANGED IN FEBRUARY -

CONFIRMING PRELIMINARY REPORTS NOTED REFTEL,
INSEE INDEX OF FRENCH INDUSTRIAL PRODUCTION SET AT
116 FOR FEBRUARY (BASE 1970 AS 100), IDENTICAL TO
THAT ESTABLISHED FOR JANUARY AND ONLY SLIGHTLY ABOVE
TWO-YEAR LOW POINT OF 115 REACHED AT END OF 1974. PRO-
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 PARIS 11155 03 OF 04 021630Z

DUCTION INDEX WAS 7 PERCENT BELOW LEVEL OF LAST
FEBRUARY -- AND NEARLY 10 PERCENT BELOW MID-SUMMER
LEVELS IN 1974.

FRENCH INDUSTRIAL PRODUCTION
(SEASONALLY ADJUSTED; BASE 1970 AS 100)

JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB
126	128	128	121	122	118	115	116	116

7. COMMODITY IMPORT PRICES DOWN NEARLY 30 PERCENT
IN YEAR -

THE COST OF PRIMARY PRODUCTS IMPORTED BY FRANCE DECLINED 2.4 PERCENT IN MARCH, TO LEVEL NEARLY 30 PERCENT BELOW THAT OF MARCH, 1974. OVERALL INSEE PRICE INDEX FOR PRIMARY PRODUCTS IMPORTED BY FRANCE (BASE 1968 AS 100) DROPPED TO 173.2 IN MARCH FROM REVISED FIGURE OF 177.5 IN FEBRUARY. WITH LATTER REVISION, SLIGHT INCREASE REGISTERED FOR FEBRUARY, BUT GENERAL TREND IN THESE PRICES HAS BEEN ONE OF STEADY DECLINE SINCE LAST MAY. IN MARCH, INDEX FOR INDUSTRIAL RAW-MATERIAL IMPORTS ROSE BY 0.7 PERCENT, BUT PRICES FOR IMPORTED PRIMARY FOODSTUFFS PLUNGED 6.2 PERCENT.

8. MONEY SUPPLY SHRINKS FURTHER IN FEBRUARY -

FRENCH MONEY SUPPLY, BROADLY DEFINED (M 2), CONTRACTED ONCE AGAIN IN FEBRUARY TO 646.0 BILLION FRANCS, AN 0.6 PERCENT DECLINE FROM FF 649.9 BILLION AT END OF JANUARY. CURRENCY AND DEMAND DEPOSITS (M 1) DECLINED 3 PERCENT TO FF 341.0 BILLION AT END OF FEBRUARY, WHILE NEAR-MONIES INCREASED 2 PERCENT TO FF345.4 BILLION. ON SEASONALLY-ADJUSTED BASIS, M 2 INCREASED 1.8 PERCENT TO 663.3 BILLION FRANCS; OVER 12 MONTHS, INCREASE IN M 2 AMOUNTED TO 16.7 PERCENT.

UNADJUSTED DATA ON COMPOSITION OF MONEY SUPPLY BY SOURCE SHOWED NET FOREIGN EXCHANGE RESERVES AT FF 38.8 BILLION (UP 2 PERCENT SINCE JANUARY); CLAIMS ON PUBLIC SECTOR AT FF 66.2 BILLION (DOWN 7.5 PERCENT); UNCLASSIFIED

UNCLASSIFIED

PAGE 03 PARIS 11155 03 OF 04 021630Z

AND CREDITS TO THE ECONOMY AT FF 565.1 BILLION (DOWN 0.1 PERCENT).

9. OTHER REPORTS SUBMITTED DURING PERIOD -

TELEGRAMS

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 PARIS 11155 04 OF 04 021627Z

51

ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 PA-02 PRS-01 USIA-15 L-02 H-02 AGR-10 /120 W

----- 004103

R 021614Z MAY 75

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 9029

INFO USDEL MTN GENEVA

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL BORDEAUX

AMCONSUL LYON

AMCONSUL MARSEILLE

AMCONSUL NICE

AMCONSUL STRASBOURG

UNCLAS SECTION 04 OF 04 PARIS 11155

10306 TRUST FUND, THIRD WINDOW APRIL 23, 1975

10427 FRENCH CREDIT MEASURES TO
EXPAND EXPORT PRODUCTION
CAPACITY APRIL 24, 1975

10475 GISCARD ANNOUNCES NEW
MEASURES TO STIMULATE
ECONOMY APRIL 24, 1975

10580 ECONOMICS MINISTER FOURCADE
ON EXTERNAL FINANCIAL
MATTERS APRIL 25, 1975

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 PARIS 11155 04 OF 04 021627Z

AIRGRAMS

A-196 FRENCH FOREIGN EXCHANGE
HOLDINGS APRIL 25, 1975

A-197 TRADE WITH COMMUNIST AREAS APRIL 25, 1975
RUSH

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, ECONOMIC PROGRAMS, PRICE DATA, UNEMPLOYMENT DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 02 MAY 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975PARIS11155
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750154-1109
From: PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750586/aaaadavw.tel
Line Count: 444
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 9
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75 PARIS 9996, 75 APRIL 18, 75 1975
Review Action: RELEASED, APPROVED
Review Authority: CollinP0
Review Comment: n/a
Review Content Flags:
Review Date: 11 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 JUL 2003 by maginmm>; APPROVED <03 MAR 2004 by CollinP0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FRENCH FINANCIAL AND ECONOMIC DEVELOPMENTS
TAGS: EALR, EFIN, EGEN, FR
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006